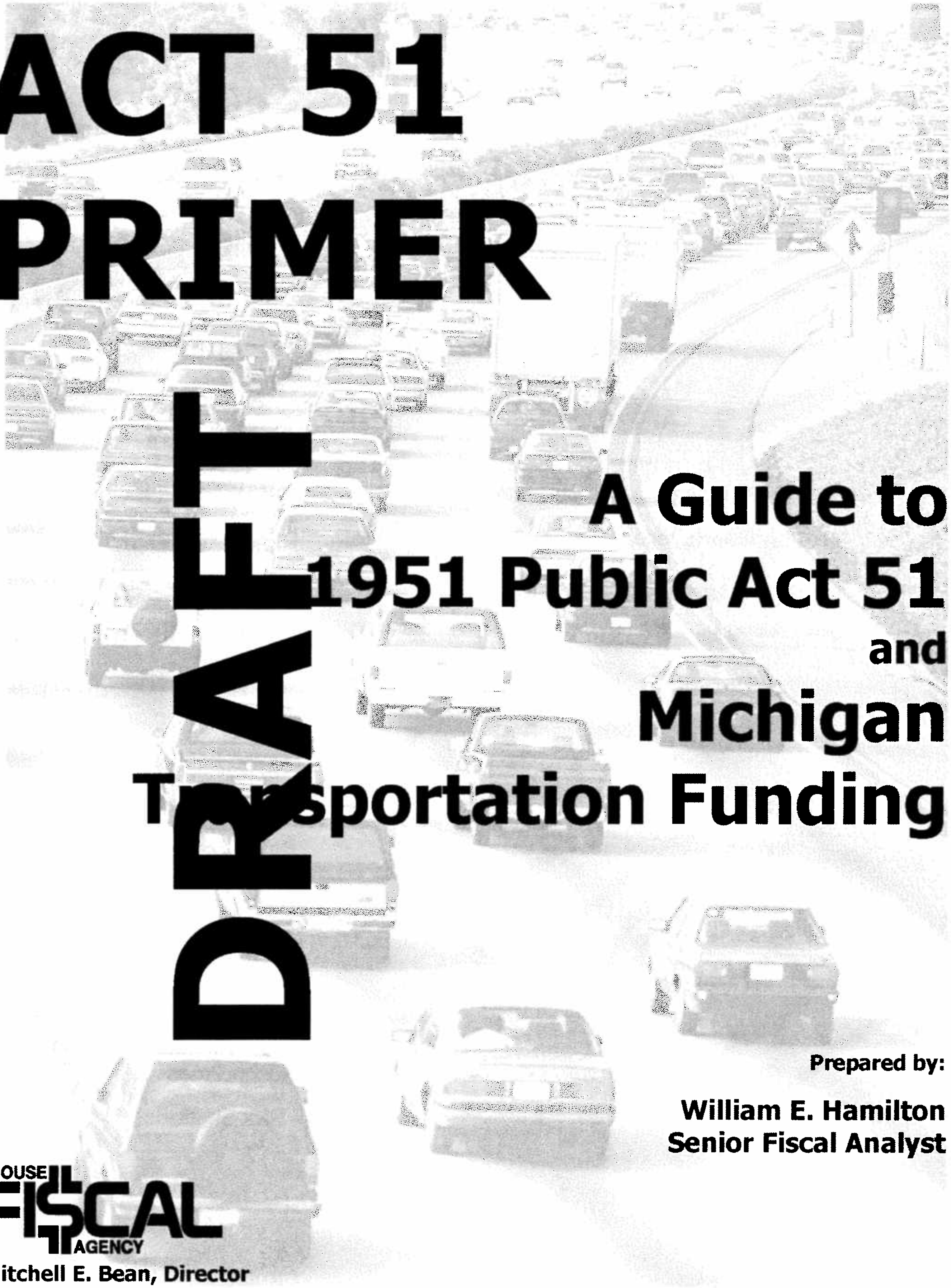

ACT 51 PRIMER

A Guide to 1951 Public Act 51 and Michigan Transportation Funding

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February 2007

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FORWARD

Public Act 51 of 1951 (Act 51) governs state appropriations for most Michigan transportation programs, including state and local highway programs and state and local public transportation programs. This report was prepared as a primer on Act 51 and how Act 51 controls state transportation funding.

This report:

- Describes transportation revenue sources governed by Act 51.
- Describes transportation programs governed by Act 51.
- Discusses recent legislative activity related to Act 51.

For the balance of this report, Public Act 51 of 1951 will be referenced simply as "Act 51." References to other public acts will follow the Legislative Service Bureau Legal Division style guide, e.g., 1949 PA 300. Abbreviations for House Bill (HB), Senate Bill (SB) and Fiscal Year (FY) are used throughout this report.

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ACT 51 GOVERNS APPROPRIATIONS

Michigan Transportation Fund (MTF) Distribution

Public Act 51 of 1951, often referred to simply as "Act 51," governs state appropriations for most Michigan transportation programs.[1] Act 51 channels state restricted transportation revenue into special revenue funds, and directs how those funds are spent.

There are two primary sources of state-generated transportation revenue: motor fuel taxes, and vehicle registration taxes. These two revenue sources are expected to generate approximately $2.0 billion for state transportation programs in FY 2006-07.[2] Act 51 creates the Michigan Transportation Fund (MTF) as the main collection and distribution fund for this state-generated transportation revenue.

Act 51 directs MTF revenue to other state transportation funds, to special program accounts, and to local units of government. Primary recipients of MTF revenue are:

- **State Trunkline Fund (STF)**
  For construction and preservation of state trunkline roads and bridges and administration of the Michigan Department of Transportation (MDOT).

- **Local Road Agencies**
  For local road and street programs of 83 county road commissions and 533 incorporated cities and villages.

- **Comprehensive Transportation Fund (CTF)**
  For public transportation programs including capital and operating assistance to the state's 79 public transit agencies.

The effect of the Act 51 distribution formula is to allocate state restricted transportation revenue between highway programs and public transportation programs, and highway program funds between MDOT and local road agencies.[3]

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[1] Pubic Act 51 of 1951 as amended is compiled as MCL 247.651 et. seq.

[2] Based on FY 2006-07 revenue estimate made by Michigan Department of Treasury Economic and Revenue Forecasting Division (ERFD) January 31, 2007.

[3] For purposes of this report, the term "Highway programs" refers to the road and bridge construction and preservation programs of the Michigan Department of Transportation and local road agencies. "Public transportation programs" are programs which provide operating or capital assistance to the state's public transit agencies, or which help support intercity bus, rail passenger, and rail freight service. The above description greatly simplifies the fairly complicated Act 51 MTF distribution formula. See Appendices A and E for a more detailed breakdown of the MTF distribution.

Other Act 51 Provisions

In addition to creating the MTF and providing a formula for the distribution of MTF funds, Act 51:

- Directs how STF and CTF funds are spent. Act 51 prescribes fixed dollar amounts or percentage allocations for various STF and CTF programs and/or determines the priority order for funding those programs.

- Provides internal formulas which direct how local road agencies can spend their distribution of MTF money. For example, Act 51 prescribes how much county road commissions can spend on county local roads versus county primary roads, and limits how much can be spent on construction versus preservation.

- Allocates federal highway funds between MDOT and local road agencies. After excluding certain federal program categories, Act 51 directs that an average of 75% of federal highway funds be allocated to MDOT and 25% to local road agencies.

- Creates a number of compliance and reporting requirements for MDOT and local road agencies—the rules for spending state transportation funds.

Note on Act 51 and Annual Appropriations Acts

In this report we state that "Act 51 governs appropriations." And the Act 51 distribution of state restricted and federal transportation revenue is reflected in annual state appropriations acts. However, it is not clear whether appropriations acts are necessary to effect this distribution.

In a 1979 opinion in *County Road Association v Board of State Canvassers*, the Michigan Court of Appeals wrote that Article IX, Section 9, of the 1963 Constitution, and Act 51, "are self-executing and make transportation tax legislation unique." The Court indicated that the State Treasurer would have to make disbursements from the MTF required by Section 17 of Act 51 "regardless of what the appropriation act ... had provided."

In order to provide a better understanding of Act 51, the balance of this report will review the revenue and major programs that comprise the annual state transportation budget and which are subject to the provisions Act 51.

TRANSPORTATION REVENUE

Michigan's FY 2006-07 state transportation budget (2006 PA 345, Article 18, as enacted) of $3.4 billion has three main sources of revenue: state, federal, and local.

Figure 1

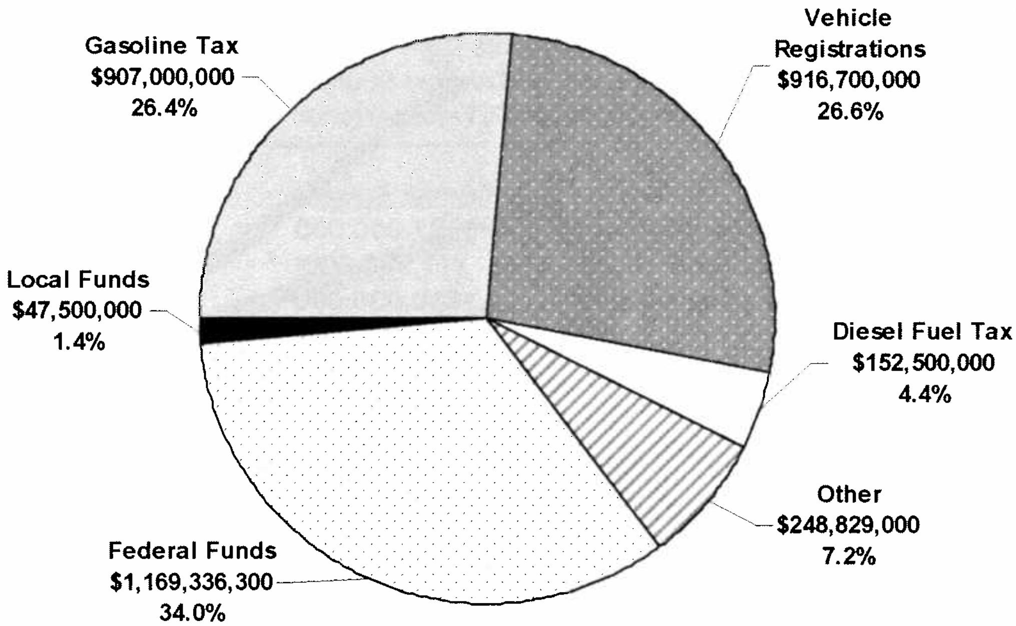

Table 1
Revenue Supporting Michigan's FY 2006-07 Transportation Budget

	Revenue	% of Total Gross
State Funds	$2,225,029,000	64.6%
Federal Funds	1,169,336,300	34.0%
Local Funds	47,500,000	1.4%
Gross Appropriation	**$3,441,865,300**	**100.0%**

State Funds

State-generated revenue sources comprise the largest part of the state transportation budget—$2.2 billion for FY 2006-07. Nearly all of this state-generated transportation revenue comes from state motor fuel taxes and vehicle registration taxes.

Motor fuel taxes, which include the state's 19-cent per gallon gasoline excise tax as well as diesel fuel taxes, account for about half of all state-generated transportation revenue. By itself, the 19-cent per gallon gas tax is expected to produce approximately $907.0 million for state transportation programs in FY 2006-07. State motor fuel excise taxes are authorized in the Motor Fuel Tax Act (2000 PA 403).

Vehicle registration taxes, collected by the Michigan Secretary of State, are the other major source of state transportation revenue. Revenue from these taxes is estimated at $916.7 million for FY 2006-07. These taxes are established in the Michigan Vehicle Code (1949 PA 300).

Both state motor fuel taxes and vehicle registration taxes are state restricted revenue. Article IX, Section 9 of the 1963 Michigan Constitution provides that these revenue sources *"shall, after payment of necessary collection expenses, be used exclusively for transportation purposes . . ."*

Table 2
Appropriated Revenue Sources
Michigan's FY 2006-07 Transportation Budget

	Revenue Estimate	% of Appropriated State Revenue	% of Total Revenue
State Gasoline Tax (at 19 cents/gallon)	$907,000,000 [1]		
Less: Recreation Improvement Fund	(17,964,000) [2]		
Gasoline Tax Subtotal	**$889,036,000**	**36.96%**	**25.83%**
State Diesel Fuel Taxes	$152,500,000	6.85%	4.43%
LP Gas Tax	600,000	0.03%	0.02%
Vehicle Title and Registration Fees	916,700,000	41.20%	26.63%
Interest/Other	7,200,000	.32%	.21%
Subtotal	**$1,966,036,000** [3]	**88.36%**	**57.12%**
Auto-Related Sales Tax	75,500,000 [4]	3.39%	2.19%
Drivers' License Fees	13,000,000 [5]	0.58%	0.38%
Miscellaneous, Interest, Other	76,615,000	3.44%	2.23%
Estimated State Revenue	**$2,131,151,000**		
Revenue/Appropriation Difference	93,878,000		
Appropriated State Revenue	**$2,225,029,000** [6]	**100.00%**	**64.65%**
Federal Revenue	1,169,336,300 [7]		33.97%
Local Revenue	47,500,000 [7]		1.38%
Total Appropriated Revenue	**$3,441,865,300**		**100.00%**

NOTES:

1 The 19-cent/gallon gasoline tax generates $48.8 million per 1 cent of tax.

2 1994 PA 451 (MCL 324.71101) directs 2% of the gasoline tax, less collection costs, to the Recreation Improvement Fund to reflect recreational uses of gasoline in watercraft, off-road vehicles, and snowmobiles.

3 This subtotal represents the estimated revenue for credit to the Michigan Transportation Fund (MTF).

4 The Comprehensive Transportation Fund (CTF) receives a portion of auto-related sales tax collections.

5 The Transportation Economic Development Fund (TEDF) receives a portion of certain drivers' license fee revenue.

6 The difference between estimated state revenue shown on this table and appropriated revenue is due to vetoes ($302,000), amounts reserved for Capital Outlay ($19,550,000), and revised revenue estimates. The enacted budget was based on Michigan Department of Treasury ERFD estimates at January 12, 2006; ERFD estimates were revised downward on January 31, 2007. Based on revised estimates, net MTF revenue, after deduction for the Recreation Improvement Fund, is $78.2 million less than estimates on which the budget was based.

7 Federal and local revenue estimates were made by MDOT.

State restricted transportation revenue is first credited to the MTF and then distributed to other funds and programs. Generally speaking, all of the state-generated revenue in the transportation budget is restricted revenue. The state transportation budget includes no state General Fund revenue.[4]

Federal Funds

The other major source of revenue for Michigan's transportation budget is the federal government. Major federal support for state transportation programs began in 1956 with the passage of the Federal Aid Highway Act.

In recent years, federal aid programs for transportation have been authorized and defined by multi-year authorization acts including the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA); the Transportation Equity Act for the 21st Century (TEA-21) enacted in June of 1998; and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), signed into law August 10, 2005.[5]

Federal transportation funds are distributed to the states through several program categories; states must administer the programs in accordance with federal requirements.

SAFETEA-LU authorizes federal aid for both highway and public transportation programs.

Federal funds in the Michigan transportation budget averaged approximately $870.0 million per year for the five fiscal years (FY 1997-98 through FY 2001-02) following enactment of TEA-21—approximately one third (1/3) of the state transportation budget.

Federal transportation funds are primarily generated from motor fuel taxes—including an 18.4-cent per

Note on Federal Funds

Unlike the Act 51 distribution of MTF revenue, which is a formula allocation to all eligible road agencies, the federal aid highway program is a reimbursement program. Federal funds participate only in capital improvement projects on federal aid eligible roads and bridges; federal funds may not be used for routine or reactive maintenance.

Federal aid projects are selected through a federally-mandated planning process that requires participation of local units of government. In urbanized areas, applicable metropolitan planning organizations administer the planning process. For local federal aid projects in non-urbanixed areas, the process is conducted by ad hoc rural task forces made up of local units of government.

Of the state's 119,570 road miles, approximately 33,504 are on the federal aid system. Of the federal aid system miles, 9,681 miles are state trunkline highways and 23,823 miles are under local jurisdiction. All but 14 miles of the state trunkline system is on the federal aid system.

Because a number of federal aid eligible roads in Michigan are under jurisdiction of local road agencies (county road commissions, cities, and villages), Section 10 of Act 51 (MCL 247.660) requires that an average of 25% of certain federal aid program categories be allocated for local road agency projects. There is no required amount or percentage allocation to any particular local road agency.

Most federal aid highway programs participate in 80% of eligible project cost.

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[4] Section 10 of Act 51 (MCL 47.660) establishes the MTF and identifies the following taxes for deposit to the MTF: the Motor Fuel Tax Act (2000 PA 403), Sections 801 to 810 of the Michigan Vehicle Code (1949 PA 300), and the Motor Carrier Act (1933 PA 254). Although Section 10 of Act 51 prohibits the deposit of money from any other source, including the state General Fund, to the MTF, revenue from the Motor Carrier Fuel Tax Act (1980 PA 119) is also credited to the MTF.

[5] These reauthorization acts amend various sections of federal law dealing with transportation, primarily Title 23 of the U.S. Code (Highways), and Title 49 of the U.S. Code (Transportation).

gallon federal gasoline excise tax. For every gallon of gasoline pumped, the Michigan motorist pays a 19 cent Michigan excise tax and an 18.4 cent federal excise tax—a total of over 37 cents per gallon.[6]

SAFETEA-LU authorized the federal transportation program for a five-year period ending September 2009.

Local Funds

Funds from local units of government represent the final revenue source in the state transportation budget. Section 1c of Act 51 (MCL 247.651c) requires that incorporated cities and villages participate in the cost of construction or reconstruction of state trunkline highways within cities and villages. This provision recognizes that state trunklines also serve strictly local traffic.

Local units also provide funds for local non-highway work done in conjunction with certain construction projects (water and sewer work, sidewalks, etc.). These local funds are reflected in the budget.

Public transit agencies also provide local matching funds for certain Federal Transit Administration grant programs. Appropriated revenue from local sources in the state transportation budget for FY 2006-07 is $47.5 million—approximately 1% of the enacted budget.

Note on Local Funds

The FY 2006-07 state transportation budget appropriates $47.5 million in local revenue. This appropriation provides MDOT with the authority to receive and expend local funds; it does not represent all of the funds expended directly by local units of government on local transportation programs.

Local units of government such as counties, cities, villages, townships, and public transportation authorities expend millions more in locally-generated funds on local highway and public transportation programs.

[6] These excise taxes are taxes levied based on volume—in this case based on gallons of gasoline. Michigan also levies a 6% sales tax based on the dollar amount of the gasoline purchase; it is one of just eight states to do so. The state sales tax on motor fuel is not constitutionally dedicated to transportation, although the Constitution (Article IX, Section 9) does allow up to 25% of the sa les tax on sales of motor fuels, motor vehicles, and motor vehicle parts and accessories to be used for comprehensive transportation. The Sales Tax Act currently dedicates a share of the motor vehicle-related sales tax to the Comprehensive Transportation Fund (CTF).

TRANSPORTATION PROGRAMS

There are three major program areas in the state transportation budget: Highway Construction and Preservation Program, Public Transportation Program, and Aeronautics Program[7]

Table 3
Appropriations: Transportation Programs
Michigan's FY 2006-07 Transportation Budget

	Appropriation	% of Total Gross
Highway Programs	$3,084,211,500	89.63%
Public Transportation	341,981,700	9.94%
Aeronautics	14,934,000	0.43%
Gross Appropriations	**$3,441,127,200**	**100.0 %**

The Highway and Public Transportation programs are governed by Act 51 and will be discussed further below. The Aeronautics program is governed by the State Aeronautics Code and is not discussed further in this document.

Highway Construction and Preservation

Highway construction and preservation (including routine maintenance) programs represent approximately 90% of the state transportation budget—approximately $3.1 billion for FY 2006-07. This program is carried out in part by the State of Michigan through MDOT, and in part by local road agencies. As a result, Act 51 divides highway funds—both state-generated and federal funds—between MDOT and local road agencies.

Table 4
Appropriations: Highway Programs
Michigan's FY 2006-07 Transportation Budget

	MDOT	Local Road Agencies	Total
State Funds	$835,187,200	$1,111,126,100	$1,946,313,300
Federal Funds	848,209,200	259,689,000	1,107,898,200
Local Funds	30,000,000	0	30,000,000
Total	**$1,713,396,400**	**$1,370,815,100**	**$3,084,211,500**
Percentage	55.5%	44.5%	

NOTE: *Local road agencies are county road commissions, cities, and villages. In some cases, the classification of appropriations as "MDOT" or "Local Road Agency" for this table is based on the judgment of the HFA analyst.*

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[7] Although Aeronautics programs represent less than 1% of the state Transportation budget ($14.9 million in FY 2006-07), additional funds for Aeronautics Airport Improvement Programs appear in the Capital Outlay budget.

As noted previously, Act 51 provides a formula for the distribution of state-generated MTF funds between MDOT and local road agencies. The Department's share of the MTF distribution is credited to the State Trunkline Fund (STF) for construction and maintenance of state trunkline highways and for MDOT administration. The local share of MTF funds is distributed to county road commissions, cities and villages for construction and maintenance of roads controlled by those units of government. Act 51 also directs how federal highway funds are distributed. After excluding funds related to some specific federal highway programs, Act 51 requires that federal funds, on average, be allocated 75:25 between MDOT and local road agencies.

Note on State/Local Distribution

This breakdown of highway funds, 55.5% to the state and 44.5% to local road agencies, reflects the total Act 51 distribution of all state and federal highway funds in the state transportation budget, and not just the final Act 51 formula distribution of MTF funds: 39.1% to the state, 39.1% to county road commissions, and 21.8% to cities and villages.

For FY 2006-07, MDOT's share of appropriated highway funds will be approximately $1.7 billion—about 56% of all the highway funds in the transportation budget.

Local road agencies (county road commissions and incorporated cities and villages) receive the remaining 44% of the appropriated highway funds—approximately $1.4 billion for FY 2006-07.

Road Jurisdiction

Discussion of the allocation of highway funds between the state and local units of government leads to the subject of road jurisdiction. Act 51 allocates highway funds between MDOT and local road agencies because in Michigan there are three separate governmental entities which have responsibility for the state's roads:

- State of Michigan (MDOT).
- 83 County Road Commissions.[8]
- 533 incorporated cities and villages.

The state has jurisdictional responsibility for 9,695 miles of state trunkline highways. State trunklines are generally the state's heaviest traveled roads or are roads with a statewide purpose. State trunklines include all the interstate highways, plus the "M" and "US" numbered highways.

Although state trunklines represent only 8% of the state's road miles, they carry approximately 51% of the traffic. This is one rationale for Act 51 directing the largest share of highway funds to the state.

Note on Townships

Townships do not have jurisdiction over public roads in the Michigan; there are no "township roads" recognized in state law. Furthermore, townships are not legally required to contribute to the construction, reconstruction, or maintenance of county roads. However, Section 14 (6) of Act 51 does permit townships to contribute to the cost of maintenance or improvement of the local county road system, and many townships do provide such funding to supplement county road commission funds.

Furthermore, Section 12(15) of Act 51 limits how much MTF revenue a county road commission can spend on local county road construction (50% of project cost), and local county road bridge construction (75% of project cost). Costs not covered by MTF revenue must be provided by other sources—often from township contributions.

Michigan townships contributed approximately $96.7 million for local county road improvements in FY 2004-05—the most recent complete year of data.

[8] For this document, all 83 county road agencies are referred to as "road commissions." In fact, Wayne County does not have a separate road commission; Wayne County roads are managed by the Wayne County Department of Public Services under the authority of the Wayne County Board of Commissioners.

The state's 83 county road commissions are responsible for 88,961 miles of county roads. County roads represent 74% of the state's public roads but account for only 31% of the state's traffic.

Cities and villages are responsible for 20,914 miles of municipal streets, representing about 17% of the state's public route miles and 18% of total state traffic.

Similarly, only 4,414 (41%) of Michigan's 10,817 bridges (non-culvert) are on state trunkline highways, with the balance on local roads. Since many of the state trunkline bridges are on multi-lane expressways, they carry more traffic than local bridges. State trunkline bridges represent 75% of total bridge deck area and 81% of average daily traffic.

Table 5
Michigan Road Jurisdictions

	Route Miles		Vehicle Miles	
	Miles	**% of Total**	**Traveled**	**% of Total**
State Trunklines	9,695	8.1%	52.6 billion	51.0%
County Roads	88,961	74.4%	31.7 billion	30.8%
City/Village Streets	20,914	17.5%	18.8 billion	18.2%
Total	**119,570**	**100.0%**	**103.1 billion**	**100.0%**

Source: 2005 data from MDOT Bureau of Transportation Planning, Asset Management Division

Table 6
Michigan Bridges

	Structures		Deck Area (In Square Meters)		Average Daily Traffic	
State Trunkline	4,414	40.8%	4,554,000	75.1%	72,400,000	81.2%
County Roads	5,611	51.9%	1,069,000	17.6%	11,800,000	13.2%
City and Village	792	7.3%	440,000	7.3%	5,000,000	5.6%
Total	**10,817**	**100%**	**6,063,000**	**100%**	**89,200,000**	**100%**

Source: MDOT Bridge Operation Unit, National Bridge Inventory data as of August, 2006

Public Transportation

Public Transportation programs in the state transportation budget are funded primarily from the Comprehensive Transportation Fund (CTF) and from federal funds. Act 51 establishes the CTF and allocates 10% of MTF revenue (after various statutory deductions) to the CTF. This transfer from the MTF to the CTF is the CTF's largest revenue source; it is estimated at $167.9 million for FY 2006-07.

Because the CTF receives its 10% share of MTF revenue after various statutory deductions from the MTF, the CTF's effective share of total MTF revenue is actually 8%. The most significant of these statutory deductions from the MTF is the earmark of 4 cents of the 19-cent per gallon gasoline excise tax for state and local highway programs.

The CTF also receives a statutory allocation, made in the General Sales Tax Act, of a portion of the sales tax collected on motor fuels, motor vehicles, and motor vehicle parts and accessories. This revenue source, estimated at $75.5 million for FY 2006-07, is credited directly to the CTF without first passing through the MTF.

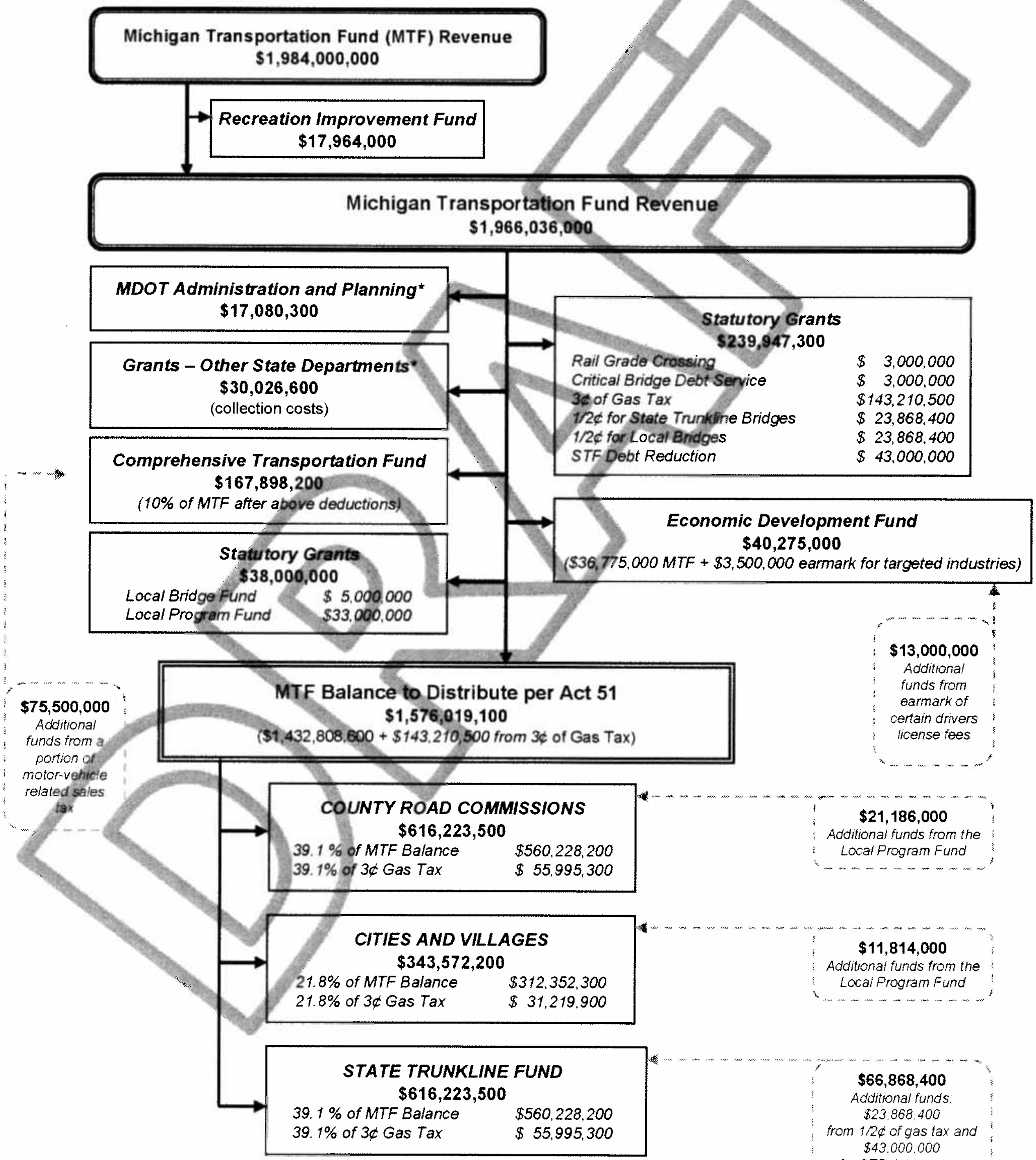
Act 51 establishes the priority order for CTF appropriations and earmarks CTF funds for certain public transportation programs. Most of the budget's public transportation funds are used to provide operating and capital assistance to Michigan's 79 public transit agencies. In addition, public transportation funds help support intercity bus, rail passenger and rail freight service, and administration of the MDOT's public transportation programs.

APPENDICES

APPENDIX A

FY 2006-07 Estimate of Current Transportation Tax Revenue and Distribution per Act 51

Figure 2



APPENDIX B
Transportation Funds

Michigan Transportation Fund (MTF)
Section 10 of Act 51 creates the Michigan Transportation Fund as the primary collection and distribution fund for state restricted transportation revenue. Approximately 90% of state-generated transportation revenue—primarily from motor fuel taxes (the 19-cent per gallon gasoline excise tax and diesel fuel taxes) and motor vehicle registration taxes—is first credited to the Michigan Transportation Fund (MTF). Act 51 provides a formula for the distribution of MTF revenue to other state transportation funds, to special program accounts, and to local road agencies.

The three primary recipients of MTF funds are:

- **State Transportation Fund (STF)**
  For state highway construction and preservation of state trunkline roads and bridges and for administration of the MDOT.

- **Local road agencies** (county road commissions, and incorporated cities and villages)
  For local road/street programs.

- **Comprehensive Transportation Fund (CTF)**
  For state and local public transportation programs—primarily capital and operating assistance for Michigan's 79 public transit agencies.

The MTF does not carry a year-end fund balance; all funds are distributed each year in accordance with the Act 51 formula.

State Transportation Fund (STF)
This fund is created in Section 11 of Act 51 for construction and maintenance of the state trunkline system of roads and bridges and for administration of MDOT. About 90% of STF funds come from the formula distribution of MTF revenue noted above. Permit fees, interest income, and other miscellaneous revenue comprise the remaining 10%.

At the end of the fiscal year, unspent STF funds lapse back into the STF balance. Section 11 indicates that STF funds not otherwise appropriated shall be used to match federal funds for the construction or reconstruction of the interstate highway system, as necessary, and for the construction and reconstruction of the state trunkline highway system.

Comprehensive Transportation Fund (CTF)
This fund is created in Act 51 for public transportation purposes. Most CTF funds are used to provide capital and operating support for Michigan's 79 public transit agencies. The CTF also

helps support intercity bus, rail passenger, and rail freight service, as well as administration of MDOT's public transportation programs.

The largest source of CTF revenue (approximately 70%) comes from a 10% share of net MTF revenue after various statutory deductions from the MTF. The MTF distribution to the CTF is estimated to be $167.9 million in FY 2006-07. The other major source of CTF funds is an earmark in the General Sales Tax Act of a portion of the sales tax on motor fuels, motor vehicles, and motor vehicle-related products (estimated to be $75.5 million in FY 2006-07).

At the end of the fiscal year, unspent CTF funds lapse back into the CTF balance and are available for appropriation in subsequent fiscal years for public transportation purposes.

State Aeronautics Fund (SAF)

The State Aeronautics Fund (SAF) is dedicated to aviation development, safety regulation, and air service promotion under the State Aeronautics Code. Aeronautics administrative and regulatory costs are funded with Transportation budget appropriations. Airport Improvement Program projects, which are funded from federal grants as well as SAF and local matching funds, are authorized through Capital Outlay appropriations.

The SAF is funded primarily through aviation fuel taxes and aircraft registration fees—estimated to be $7.0 million for FY 2006-07. In addition, the SAF receives revenue from an earmark of Airport Parking Tax revenue. The earmark of $6.0 million per year was effected through enactment of 2002 PA 680 (HB 4454) which amended 1987 PA 248, the Airport Parking Tax Act. Public Act 680 requires that these SAF funds be used exclusively for safety and security projects at state airports, including debt service on CTF bonds issued for airport safety and security projects.

At the end of the fiscal year, unspent SAF funds lapse back into the SAF balance and are available for appropriation in subsequent fiscal years for aeronautics programs.

Other Transportation Funds

Transportation Economic Development Fund (TEDF)[9]

This fund was created in 1987, through 1987 PA 231 (MCL 247.901), to assist in financing road and street projects in support of economic growth. The TEDF is funded, in part, from a distribution from the MTF in accordance with Act 51 ($36,775,000 plus an additional $3,500,000 dedicated to targeted industries). The fund also receives a portion of drivers' license fees (approximately $13.0 million per year).

TEDF funds do not lapse, but are carried forward in the fund for eligible transportation economic development projects.

Local Bridge Fund

A fund established in 2004 in Section 10 (5) of Act 51 and dedicated for the Local Bridge Program for the preservation, improvement, or reconstruction of local road agency bridges. The Local Bridge Program replaced the Critical Bridge Program originally established in Section 11b of Act 51. The Local Bridge Fund receives an annual earmark of one-half the

[9] The abbreviation EDF is also used for this fund.

revenue from one-cent of the gasoline excise tax, plus an additional annual $5.0 million earmark of MTF revenue.

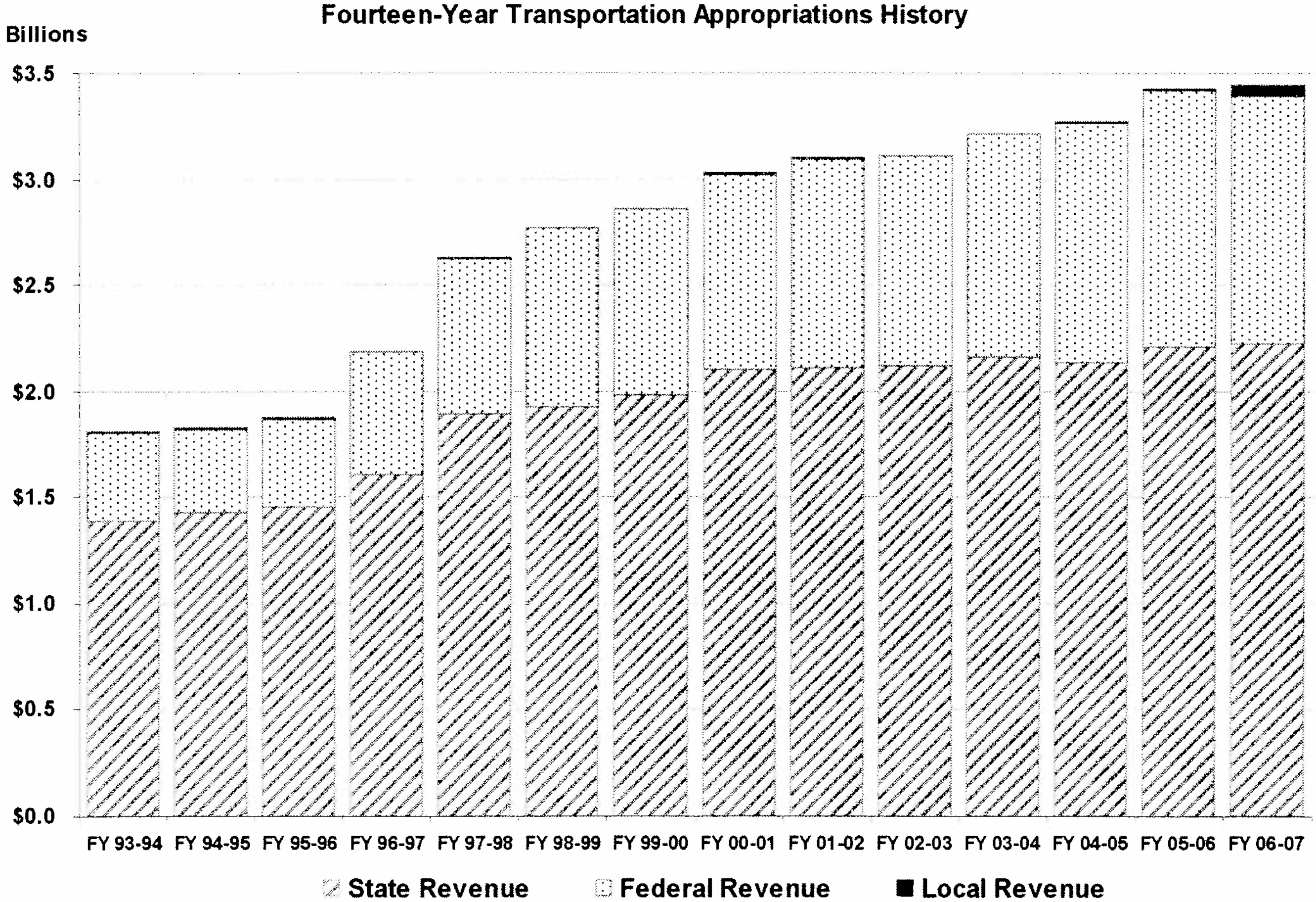
Blue Water Bridge Fund (BWBF)
A subsidiary fund of the STF, the Blue Water Bridge Fund is used to account for debt service, loan repayments, and operating costs of the Blue Water Bridge. The BWBF revenue comes primarily from bridge tolls and the lease of space on the bridge plaza.

APPENDIX C
Appropriations History

Figure 3 shows a fourteen-year history of state transportation appropriations. Appropriations represent spending authority and not actual expenditures made or revenue received. Nonetheless, appropriations do reflect anticipated actual revenue. For example, the budgetary increase between FY 1996-97 and FY 1997-98 reflects the increase in the state gasoline excise tax. See Appendix D for an analysis of actual revenue.

Figure 3

Fourteen-Year Transportation Appropriations History



APPENDIX D
Transportation Revenue History

State Restricted Revenue

Figure 4 shows an 11-year history of MTF revenue; Figure 5 shows major sources of MTF revenue over the same period.

Figure 4

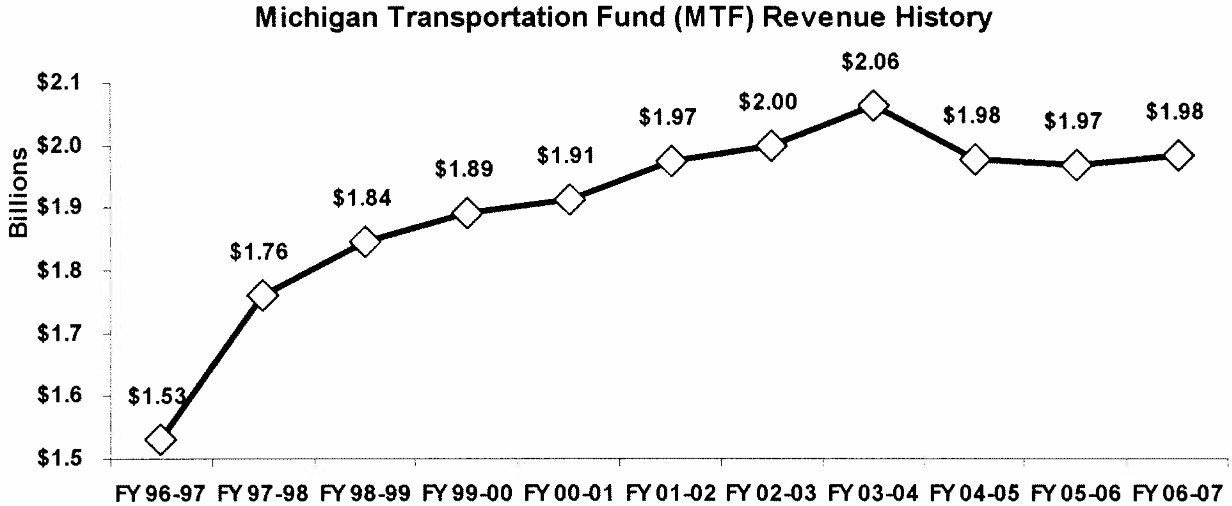
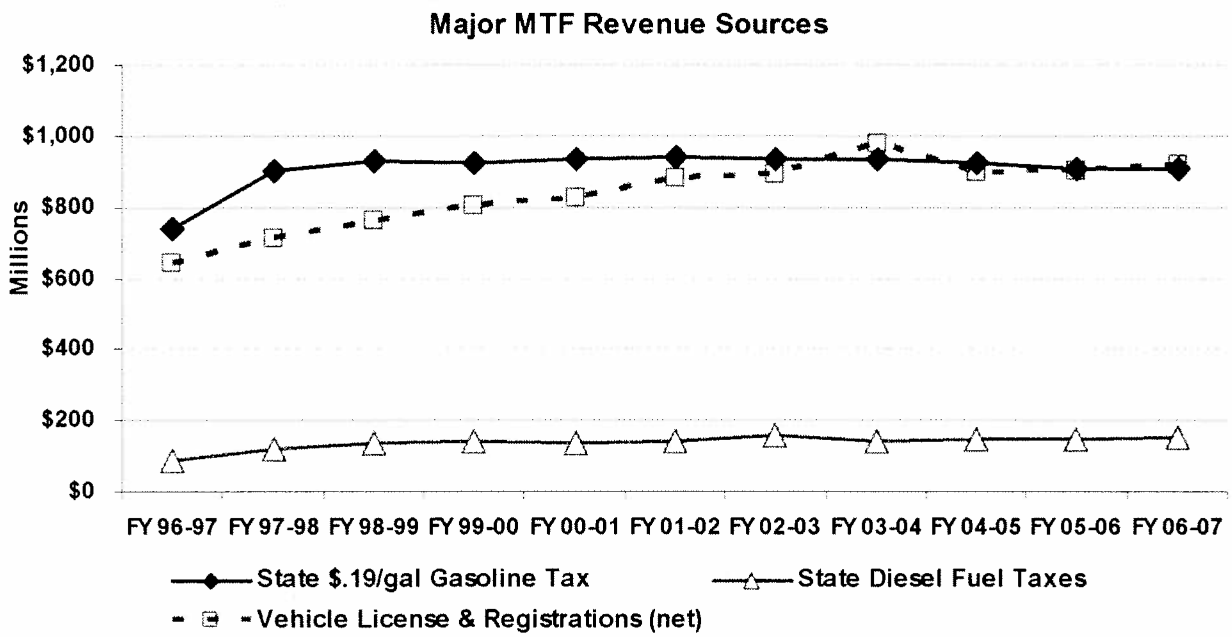


Figure 5



Gas tax revenue has remained relatively static since FY 1997-98, while revenue from vehicle registration taxes has increased. Vehicle registration taxes have become a more significant share of MTF revenue and are currently estimated to exceed revenue from the gasoline excise tax. Figure 6 and Table 7 show the distribution of MTF revenue by major recipient over the same 11-year period.

Note on MDOT Employment Levels

During a period of increasing transportation revenue, the number of MDOT employees was declining—from 3,838 full-time equated positions in 1994, to 3,036 in 2006. This decrease was primarily due to early retirement programs in FY 1997-98 and FY 2001-02.

Figure 6

MTF Revenue by Major Recipient

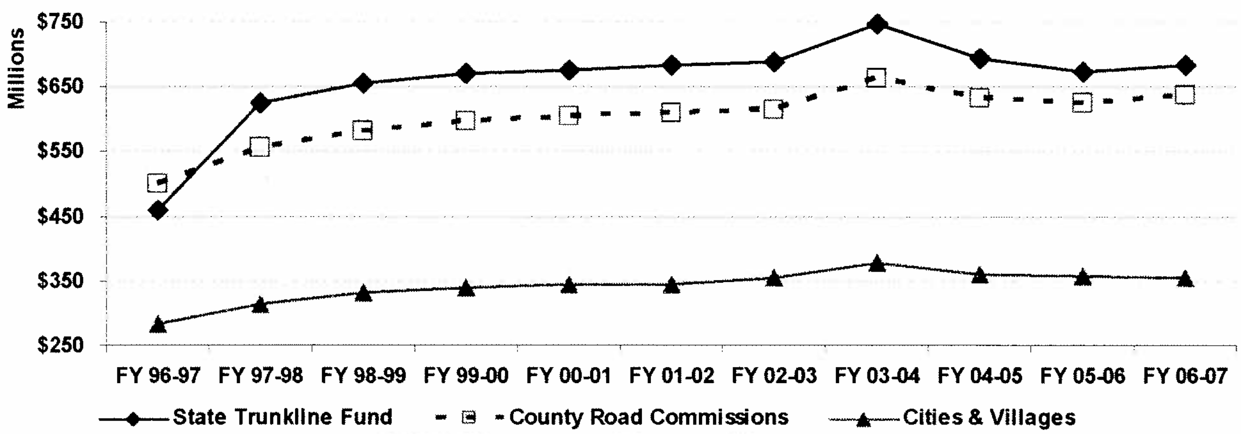


Table 7
MTF Revenue by Major Recipient
Michigan's FY 2006-07 Transportation Budget

	State Trunkline Fund	County Road Commissions	Cities & Villages	Total
FY 96-97	$459.3	$499.1	$282.4	**$1,240.7**
FY 97-98	$625.0	$555.5	$314.5	**$1,495.0**
FY 98-99	$655.7	$582.1	$330.5	**$1,568.3**
FY 99-00	$670.7	$596.2	$338.5	**$1,605.4**
FY 00-01	$677.3	$604.1	$343.7	**$1,625.1**
FY 01-02	$684.1	$609.8	$344.1	**$1,638.0**
FY 02-03	$689.7	$615.9	$353.4	**$1,659.1**
FY 03-04	$747.8	$663.7	$378.7	**$1,790.1**
FY 04-05	$693.5	$632.8	$360.5	**$1,686.8**
FY 05-06	$674.5	$624.5	$356.6	**$1,655.7**
FY 06-07	$683.1	$637.4	$355.4	**$1,675.9**

The last significant increase in state restricted transportation revenue occurred in 1997. In July 1997, in response to widespread public concern over the quality of Michigan roads, the state Legislature passed a transportation funding package which included a 4-cent per gallon gas tax increase and increases to commercial truck registration fees. This funding package added over $200.0 million per year for Michigan transportation.

Federal Revenue

In June of 1998, Congress enacted TEA-21—the reauthorization of federal aid transportation programs. The Transportation Equity Act for the 21st Century (TEA-21) increased total federal funding for state transportation programs as well as Michigan's share of those programs. Between FY 1993-94 and 1996-97, Michigan's share of federal transportation funds averaged $440.0 million per year. During the five years following the enactment of TEA-21 (FY 1997-98 to FY 2001-02), Michigan's share of federal transportation funds averaged $870.0 million per year—an annual average increase of $430.0 million.

See Figure 7 for a history of federal aid highway funds expended for Michigan road and bridge programs.

Figure 7

Federal Highway Planning and Construction Funds